

## Welcome



Welcome to the spring issue of our newsletter in which we update you on what's happening in the local property market.

In the past few months we have been experiencing a period of uncertainty and conjecture among home owners and buyers about the direction of the market.

Because today's market has taken a new direction, one cannot rely on figures published in the press to determine what your property's worth. What is needed is up to date information on what's selling in your street and in your suburb and at what price.

While we cannot forecast the future, our daily monitoring of this market means we can tell you what is happening right now and give you some insights on what we feel may happen in the future.

When looking at value, every property is different and therefore needs to be examined individually.

We hope you find the information in this newsletter both informative and useful.

Rick Lombardo, Principal  
rick@realtyone.com.au

## FOR SALE Applecross Spectacular panoramic views



### Expressions of Interest invited

This prestigious location includes a charming 4 bedroom, 2 bathroom residence, elegantly styled with magnificent views of the river, city and hills from all living areas, patio and the master and second bedrooms. On an elevated 721m<sup>2</sup> block surrounded by lovely reticulated gardens, the accommodation features lounge/dining, family room, kitchen and meals area overlooking a protected sundrenched patio. For a private viewing and home open times contact **Marlene Drummond Smith on 0418 276 308.**



## Improved confidence fuels demand for property in Applecross/Mt Pleasant and nearby suburbs

One thing has become clear in the real estate market in the past few weeks - confidence has returned. Buyers are back and spring is in the air!

In our local area we are seeing large numbers of buyers at home opens and a big increase in enquiries from the internet and newspapers.

A good indication of the mood of the market can be gained from the fact that in August/ September no fewer than four properties achieved above their expected sale price due to multiple offers being received. In one case 40 people attended the first home open and five offers emerged.

Buyer interest has moved well beyond the first home owner market to include higher priced properties. You will already have seen this in the SOLD and UNDER OFFER stickers on real estate signs in your area.

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### Property Price Trends

	Median Price Yr to Jun 09	Quarterly change in annual median	Annual change 1 yr	Ave annual % change 5 years	Ave annual % change 10 years
Alfred Cove	\$695,000	-4.8%	-1.4%	13.2%	12.7%
Applecross	\$1,152,000	-13.1%	-28.0%	8.9%	9.1%
Ardross	\$785,000	9.8%	-2.2%	10.4%	11.1%
Attadale	\$955,000	-20.4%	-21.1%	9.1%	10.0%
Booragoon	\$746,500	0.4%	4.8%	13.0%	12.5%
Brentwood	\$557,500	0.0%	-1.3%	9.1%	11.4%
Melville	\$642,500	2.0%	-12.0%	11.1%	11.7%
Mt Pleasant	\$951,250	-4.4%	7.4%	11.4%	11.7%
Myaree	\$560,000	9.5%	-4.3%	12.4%	12.5%

# What are the five key elements driving property demand and how are they stacking up right now?

**A low unemployment rate, strong population growth, affordability issues, confidence in the market and the exploitation of the State's mineral resources have for many years been key drivers of the demand for housing in WA.**

So, with the worst effects of the recession seemingly having passed, how do we stand right now when it comes to these five key areas?

The recent Gorgon announcement did two things: it gave a boost to property market confidence which had already started improving a few months ago. In addition, it focused attention on the dominant role which WA's resources play in the economic well-being of the state and the country.

Prior to the Gorgon announcement, the Australian Bureau of Agricultural and Resource Economics revealed that advanced minerals and energy projects to the value of more than \$55 billion were currently under way in WA.

## **Record population growth in WA**

The State's population continues to grow strongly. According to the Australian Bureau of Statistics, the first three months

of this year saw WA's population grow at its fastest rate in four decades, with the State's population increasing by 20,215 during the period. Of these about 14,000 were migrants.

When it comes to housing affordability, there is little doubt that lower property prices and historically low interest rates have made property ownership more accessible to many Australians.

The recent HIA-CBA First Home Buyer Affordability Report revealed a 14.6 per cent increase in affordability for the March 2009 quarter which came hot on the heels of a 40 per cent improvement at the end of 2008. For first home buyers, affordability was further improved by various government grants and stamp duty concessions.

## **Consumer sentiment shows a welcome lift**

We have all seen numerous recent reports of improvements in consumer and business confidence. One of these, the Westpac-Melbourne Institute Consumer Sentiment Index, revealed that the majority of Australian consumers believed economic conditions and their family finances would improve over the next year.

New housing finance figures, released at the same time, showed consumers were backing their judgement about the economy, arranging a record \$12.9 billion in new home loans in May.

We too have seen this improved confidence coming through on the ground in all the areas in which we operate.

## **There is another seldom mentioned driver of future demand in WA**

Though unemployment in WA has increased this year, the rate still remains relatively low. In this respect employers have helped keep the rate down by adopting a welcome but totally unexpected strategy of trying their best to avoid retrenching workers, even though this has led to some people having to work fewer hours.

Looking into the future, there's an additional factor which we at Realty One feel could have a major influence in the not too distant future. With a big number of Baby Boomers soon to retire, it is expected that there will be a need for a major increase in skilled migration to fill the resulting workforce gap, creating an additional demand for housing.

## **Property investment**

### **Out of pocket expenses significantly cut by lower interest rates**

**As a direct result of much lower interest rates a significant number of negatively geared investment properties are now costing their owners very little in monthly out of pocket expenses.**

This change in the market is proving attractive to a number of investors, especially those close to retirement and younger investors tired of killing themselves working in order to keep up with the monthly out of pocket costs of operating a number of negatively geared properties.

To get an idea of the change that has taken place as a result of low interest rates, let's look at one of the investment properties managed by Realty One. This apartment in Bayswater has a mortgage of \$220,000. Last year it was rented out at \$220/week or \$11,440/year. Loan repayments at an interest rate of 9.25% amounted to \$1695/month or \$19,340/year.

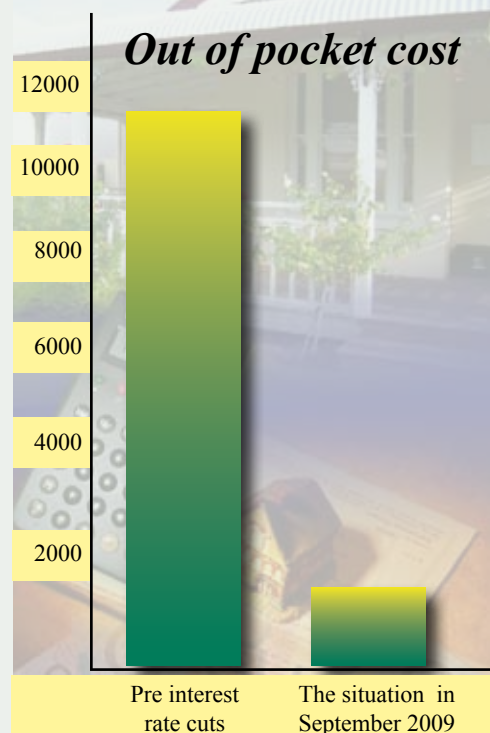
In other words it was heavily negatively geared with the owner being out of pocket to the tune of \$7900 plus expenses of \$3,200 – a total of \$11,100.

With interest rates falling to 5.25%, repayments on this loan have dropped to \$962.50/month or \$11,550/year. The rental has in the meantime increased to \$260/week or \$13,520/year – a yield of 6.1%. After expenses of \$3200 he is only out of pocket to the tune of \$1230 (\$11,550 - \$10,320).

Of course the \$3200 in expenses plus depreciation would in all likelihood also be tax deductible.

If you are thinking of investing in property, or would like to take the hassle out of managing your investment property, call Rebecca Clow now at 9313 9110.

Note: The information in this article is of a general nature only and is neither a forecast nor guarantee. Due to constantly changing circumstances we advise you to contact us before making any formal real estate decision.



# Why does upgrading make sense right now?

**Would it be wise to upgrade in today's market or should you wait a few years until you can sell your property at a price similar to what you would have achieved in the boom? This is a question on many lips.**

Your own circumstances will of course determine whether you can wait for three or five years until prices hopefully reach boom levels. You will of course know there is no way of determining when this could happen.

So what would be the advantage of acting now? To find an answer, let's kick off by comparing today's market situation to that during the last boom.

Assuming your existing home sold for \$600,000 in the boom and you upgraded to a home costing \$1.5 million, your gap would have been \$900,000.

Assuming both properties have gone down in value by 20%: your home would now fetch \$480,000 while you would have to pay \$1.2 million for the replacement home. Your gap has been reduced to \$720,000.

This amount could be a lot lower if, as has happened in some near city suburbs, prices for higher priced homes have dropped by a much higher percentage than those of lower priced homes.

You would also save on the commission paid to your selling agent and in addition



would save about \$10,000 in stamp duty on your new home.

When it comes to selling your own property and upgrading or downsizing talk to us and we'll tell you exactly what's possible in today's market.

Note: This is general information only. All prices, percentages and savings are assumptions made for your interest. They are neither forecasts nor guarantees.

## Is your strata company in serious need of good management?

**Are you finding that your strata management company is seldom accessible, never seems to inspect your complex or has allowed it to deteriorate to the point where it has a distinctly run-down look?**

If so, you should come in and see us for FREE advice on what you should do to get the level of care that you are entitled to expect.

We at Realty One are one of few agencies with a dedicated strata management division. In our determination to provide the highest level of specialised service, we recently commissioned a new software program which will further improve our own efficiency as well as deliver benefits to strata companies.

Says Strata Manager, Hazel Stephens, "With this program, strata companies will enjoy a number of benefits, including an improved quality of reporting for annual and extraordinary general meetings. In the near future, they will be able to access their account online 24/7."

Our strata management division is firmly focused on enhancing the equity in your asset. As owners of our own investment properties we understand that the value of your property can only be enhanced if it is well kept, regularly inspected and properly maintained.

Give Hazel a call at 9313 9122 to find out why we are the favoured choice of a number of strata companies.

*"Paul Menezes achieved above our expectations in a very short period of time. Paul's local market experience and Realty One's bank of buyers sold our home without advertising or opening for inspection. Thank you." Leo Rego.*

## Full block owners Zoning changes - make your voice heard

**The City of Melville's Town Planning Scheme No. 5 is currently under review.**

Coming up in October/November 2009, the council is giving the public/ratepayers the opportunity to submit their thoughts about the existing and recent changes in zoning to the town planning scheme, which could either stop or allow full block owners to subdivide.

If you have an opinion about this and own a property in the City of Melville we highly recommend you make a submission to the council, so that the majority of owners are heard. Of course if we can be of any assistance on this matter, please do not hesitate to call us at Realty One Applecross on 9315 6363.

## Could your property be affected by moves to create activity centres?

**The Melville and South Perth Councils and the Australian Planning Commission are now at an advanced stage of a study aimed at determining the possibility of establishing a vibrant activity centre in the precinct of the Canning Bridge rail station.**

The precinct under study extends for about an 800m radius around the station.

If eventually implemented, the move would lead to increased population density in areas in close proximity to the station, which could require a degree of rezoning.

According to an informed source, it is logical to assume that the Melville Council will eventually also undertake a similar study for areas in close proximity to the Bull Creek station.

Insofar as the Murdoch station is concerned, plans are already in place for the precinct's activity centre. The greatest intensity of activities is planned for an area within 400m from the rail station.

If you own property in close proximity to stations on the rail line, it's important to talk to us before selling your property.

FOR SALE



### Macleod Road Applecross

Delightful townhouse set in a beautiful jacaranda lined street, in immaculate condition, offers spacious family living with an abundance of natural northern light. The property has 3 double bedrooms, 2 bathrooms and a double garage with a very secluded and peaceful outdoor entertaining area. Trendy Applecross Village is only a few metres away. This townhouse is an excellent investment.

Call Anita Wilson on 0409 374 134.

FOR SALE



### Duncraig Road, Applecross

Located in one of the finest and most beautiful natural settings in Australia, this refurbished heritage home offers stunning and never to be compromised Swan River views. Viewing is a MUST!

Contact Kim Gamba on 0417 918 252.

FOR SALE



### Raffles Waterfront

This piece of heaven offers incredible views to the City and the South of Perth Yacht Club.

Enjoy the views from the balcony off the lounge or from the master bedroom en-suite. 2 other generously sized bedrooms, an open plan kitchen and living areas, security parking and hotel facilities at your doorstep.

For a private viewing contact Paul Menezes on 0413 817 857.



# Specialisation does the trick at Raffles

**Ever wondered why Realty One is heavily favoured by owners of apartments in the Raffles complex wanting to sell their properties?**

To find out we asked the one person who should know - Lynette Gardner. Having lived in the complex for a period she has a considerable head start when it comes to identifying the little things about The Raffles that appeal to buyers.

However, while this gives her an advantage, Lynette believes the main reason for her success at The Raffles lies in Realty One specialising in the complex.

“Marketing apartments in this complex is quite different to selling property down the road. While it has unique features, The Raffles only appeals to certain types of buyers. You have to know where to find these buyers and how to appeal to them.

“In this respect, Realty One enjoys a major advantage because it has in place systems

designed to ensure buyers are continuously updated.

“Much of our contact with potential buyers of Raffles apartments is through word of mouth advertising.

“It is critical too, to have a good spread of listed apartments in order to give buyers a number of options.”

Certainly, Realty One doesn't fall short on this requirement. We currently hold 10 listings at The Raffles, at prices ranging from \$935,000 to \$4.5 million, in addition to a number of silent listings.

This, coupled with Realty One's specialised knowledge of the complex, has seen the agency continuing to sell Raffles Apartments even during the recent depressed real estate market.

Fortunately, Lynette Gardner says, the market is now showing signs of increased activity. Call Lynette on 0412 988 077 if you're thinking of buying or selling at The Raffles.

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We believe that first home buyers will not totally desert the property market following September's reduction in the grant. After all the First Home Owner grant will still continue, though in a reduced form thereafter.

Looking further into the future, the signs are generally good with the key pointers to a growth in property demand looking extremely healthy.

So what does all this mean for you? There is one truism that sellers must always consider - sell in a rising market.

Right now, buyers no longer have it their own way. For while the current supply of listed homes is double that of what was on

offer at the height of the boom, it has in recent months dropped to virtually half the figure reached last year. This has created a new reality where sellers can achieve realistic prices while buyers no longer dominate but can still buy well.

A word of warning though. Spring and the period prior to Christmas are traditionally a time of increased demand. There is no way of guaranteeing that this healthy turn in the market will continue for six months or even into the New Year.

If you wish to know the worth of your property in today's market give us a call and we will come out and give you an honest appraisal.

*“We wish to thank Anita Wilson for her efforts in selling our property. She always communicated before and after each opening. Anita had a planned campaign which she continued to follow, undaunted by the task of selling in a seriously depressed market, and produced the buyer.” Stuart and Evelyn Taylor*

